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WDSECRET/SENSITIVESTATUS REPORT ON LIBYAI. Status of Decisions

On December 8, the President directed that three steps be taken immediately to reduce the threat that Libya poses to U.S. security. These steps are described in National Security Decision Directive Number 16. The results are:

1. Warning to Libya: The Belgian Ambassador was received on December 10 by a working-level Foreign Secretariat official in Tripoli who said that he had been delegated by the Secretary for Foreign Affairs, who had consulted "at the highest level," to receive President Reagan's message. The Libyan official rejected our note and gave the Belgian a message in English for transmittal to us. The essence of the Libyan message is that Tripoli rejects our accusations, challenges us to prove them, and suggests that there may be "elements working in the background" to further poison U.S.-Libyan relations. In sum, this was a polite but complete rejection of the accusation, and we still are unable to assess whether it had any impact on Qadhafi. The CIA believes that our demarche and our other actions have had an intimidating effect that has caused Qadhafi to suspend his activities, at least against U.S. personnel.

2. Request for Withdrawal: The President's request that U.S. corporations facilitate the rapid withdrawal of their American employees was transmitted to the Chief Executive Officers of those companies on December 10. Most of the 35 firms involved have moved rapidly to remove their U.S. workers and dependents. As of January 15, fifteen firms had withdrawn all of their U.S. personnel from Libya. The remaining 20 companies have reduced significantly, and most expect to have their American employees out by the end of January. At present, about 400 U.S. employees/dependents remain of the approximately 1200 in Libya on December 10. By February 1 we expect the number to drop to fewer than 100.

We have less information about the other estimated 300 U.S. citizens in Libya on December 10. This group, which consists primarily of U.S. citizen spouses of Libyans and Americans working directly for the Libyan Government (e.g., technicians, professors), has declined, but we do not know by how much. A small number of workers (perhaps two dozen) who refuse to leave are being terminated by their U.S. employers, and will work for the Libyan National Oil Company or other Libyan enterprises.

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The Libyan Government is facilitating the departure of those Americans who have decided to leave Libya.

3. Invalidation of Travel: Effective December 11, the Department invalidated U.S. passports for travel to, through, or in Libya. Most Americans who intended to travel to Libya are respecting this order, despite Libyan orders to immigration officials not to stamp U.S. passports. There have been press reports that a few U.S. companies are directing their employees to enter Libya without passports. The companies have denied this. Some U.S. individuals are entering Libya without using their passports.

A special section has been designated within the Passport Office to process passport validation requests to travel to Libya. As of January 8, three journalists and five humanitarian applicants (spouses of Libyans) had had their applications approved. Forty-four "national interest" applications had been granted, primarily for individuals designated by their companies to coordinate the withdrawal effort.

II. Pertinent Developments Since December 10 (Preliminary)

(a) U.S.-Libyan Relations: The Libyan Government's December 10 response to the President's warning, which we believe to have been cleared with Qadhafi, claimed that Libya desires to improve relations with us. We have heard this through numerous other intermediaries including German Foreign Minister Genscher. In addition, Qadhafi personally sent an intelligence envoy in mid-December to convey to us that the Libyan leader was "upset and shocked" over our withdrawal of U.S. citizens from Libya and that Qadhafi would be willing to make "any accommodation necessary" to better ties with us. The same envoy claimed that, as a gesture, Qadhafi has cancelled all terrorist and assassination operations and has begun to dismantle terrorist training camps--an admission that Qadhafi's denials of their existence were meaningless.

Qadhafi at present is in a relatively weak position internally. A recent coup attempt by the trusted military and consumer discontent over food shortages and cutbacks in imports due to cash flow problems may have led him to take the steps he claims to have taken to defuse tensions with the U.S. We do not have good evidence of continued activities against U.S. officials. On the other hand, however, we are receiving reports that Libyans terrorist and subversive activities continue. We have not been able to confirm any terrorist camp dismantling.

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[] The consensus here is that Qadhafi, however disconcerted he may be about our steps, is not prepared to abandon his goals, though he may be willing in the face of firm U.S. resolve to modify some of his extreme methods.

(b) U S.-Soviet Relations: Although Libya is an important Soviet friend, Moscow is cautious by nature. Our response to the Soviet hand in the Polish crisis, an area which is of crucial security significance to Moscow, might make the Soviets more wary of becoming involved directly in U.S.-Libyan disagreements. Their overt action since December 10 has been limited to propaganda attacks on U.S. "pressure" against Libya.

(c) Other Developments: A very important development since December 10 was the reestablishment of Saudi-Libyan diplomatic relations. This step, taken principally in response to the Israeli occupation of the Golan, was intended to begin the process of restoring shattered Arab unity. Qadhafi has since publicly criticized the Saudis on two occasions.

The French normalized relations with Libya on the day after we asked U.S. citizens to withdraw. The French, who believe that increased ties with Qadhafi will prevent closer Libyan ties to the Soviets, explained that the Libyans had fulfilled their conditions for normalization (withdrawal from Chad and commitment to rebuild the French Embassy in Tripoli). It is likely that the timing of the French move also was an effort to keep a communication channel open to Qadhafi.

We have no evidence that Libyan forces are returning surreptitiously to Chad. (They are, however, still in the disputed Aouzu strip.) The OAU Peacekeeping Force is in place: there were no PKF clashes with the withdrawing Libyans.

Our imposition of economic sanctions against the Soviet Union in response to the Polish crisis and our efforts to obtain the cooperation of our European allies in this regard are creating anxieties among our allies and increasing their sensitivity to our use of economic sanctions to achieve political ends.

The soft international oil market is now expected to continue at least through the summer barring unforeseen political disruptions. In December, Libya temporarily increased oil production by reducing prices to within the current world range, relieving somewhat the cash flow problems the Tripoli authorities have had for the past few months.

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III. Interagency Preparation for Next Steps

As mandated by NSDD 16, a Task Force on Libya was established under the co-chairmanship of the State Department and the White House. This task force has been monitoring the progress of withdrawal of Americans from Libya and the planning for possible further economic measures (embargo of imports of Libyan oil, embargo of exports to Libya) and military contingency planning described in items 4 and 5 of NSDD 16. In addition, the task force has reviewed the paper requested in item 8 of NSDD 16: A Study of Soviet Military Responses to U.S. Military Action Against Libya. This paper includes a section describing U.S. counter-moves designed to deter Soviet military involvement in response to U.S. action.

The Libya Task Force is currently undertaking an interagency review of the analysis and recommendations that were the basis for NSDD 16. The purpose of this review is to revalidate the anticipated political and economic effects of further economic measures (item 4a: an embargo of Libyan oil and item 4b: an embargo of exports to Libya) and the efficacy and political effects of contingency military plans and efforts to deter Soviet involvement described in NSDD 16 items 5, 6 and 8.

In addition to the revalidation aspect of this exercise, the interagency review has been designed so as to be able to factor in relevant changes in the international environment and in the Libyan internal situation that have occurred since the December 8 decisions. Events in Poland and the reports that Qadhafi is encountering increased internal pressure, including coup attempts against him, are the most important factors here. Changes in the regional environment, in the economic and oil outlook, and in Congressional and public opinion are also being assessed for their potential relevance to the economic and military measures being reviewed.

As requested in the memorandum accompanying NSDD 16, the Libya Task Force review is also preparing additional options for the President with regard to Libya. In tandem with this part of the exercise, and taking account of any pertinent changes in the international environment and in Libyan internal circumstances and Qadhafi's perception of threat, the interagency review is also reassessing U.S. objectives toward Libya.

The objectives as stated in the SIG and NSC papers upon which the President's decisions on Libya were taken were:

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"to end Libyan support for international terrorism, to inhibit Libya from undermining friendly governments in Africa and the Middle East, and to influence Libya to stop assassination efforts against U.S. officials and Libyan nationals in third countries." These objectives are being revised to make them detailed enough so they could be used in a specific ultimatum to Qadhafi describing the kind of Libyan behavior that must cease. In addition, the scope of the objectives is being reassessed. The question here is to consider expansion of our objectives to include measures to affect the continuity of the regime itself.

The task force is also working on a paper concerning Middle East Regional Reaction to U.S. military action. It will be similar in scope to the Study of Soviet Military Responses to U.S. Military Action against Libya.

These papers will provide the basis for an NSC Decision Paper for a meeting tentatively scheduled for February 4, 1982. This is a point in time very close to the mid-February target date for the completion of the voluntary withdrawal of Americans from Libya. Consequently, the President will be well-positioned to take decisions on next steps toward Libya in the full knowledge that all Americans will have left Libya except a small number who are remaining at their own choice and in conscious violation of U.S. policy. One decision for the February 4 meeting will be whether to take additional measures to force the departure of these remaining American citizens.

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